

DC BILINGUAL PUBLIC CHARTER SCHOOL

WASHINGTON, DC

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COMPARATIVE FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**KENDALL, PREBOLA AND JONES**

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**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Directors  
DC Bilingual Public Charter School  
33 Riggs Road, NE  
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT

***Report on the Financial Statements***

We have audited the accompanying financial statements of the DC Bilingual Public Charter School, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the DC Bilingual Public Charter School, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***Supplementary Information

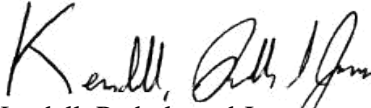
Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

We have audited the financial statements of the DC Bilingual Public Charter School as of and for the years ended June 30, 2019 and 2018, and our report thereon dated December 5, 2019, expressed an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of contracts awarded in excess of \$25,000, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the DC Bilingual Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the DC Bilingual Public Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DC Bilingual Public Charter School's internal control over financial reporting and compliance.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 5, 2019

DC BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018

<u>ASSETS</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 4,649,169	\$ 2,998,057
Accounts Receivable	217,558	373,495
Grants Receivable	142,423	339,521
Promises Receivable	33,000	129,960
Prepaid Expenses	<u>102,355</u>	<u>82,249</u>
Total Current Assets	<u>\$ 5,144,505</u>	<u>\$ 3,923,282</u>
<u>Fixed Assets:</u>		
Furniture and Equipment	\$ 108,125	\$ 159,682
Computer Equipment	248,361	240,904
Leasehold Improvements	14,942,907	-
Construction in Progress	34,500	4,418,387
Less: Accumulated Depreciation and Amortization	<u>(655,772)</u>	<u>(286,442)</u>
Total Fixed Assets	<u>\$ 14,678,121</u>	<u>\$ 4,532,531</u>
<u>Other Assets:</u>		
Cash - Restricted for Debt Service	\$ 241,382	\$ 238,752
Deposit	<u>23,000</u>	<u>47,900</u>
Total Other Assets	<u>\$ 264,382</u>	<u>\$ 286,652</u>
TOTAL ASSETS	<u>\$ 20,087,008</u>	<u>\$ 8,742,465</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts Payable and Accrued Expenses	\$ 461,836	\$ 3,289,986
Payroll and Related Liabilities	666,453	592,838
Deferred Revenue	24,368	9,172
Deferred Rent Abatement	323,535	75,446
Current Portion of Note Payable	-	-
Current Portion of Capital Lease Payable	<u>-</u>	<u>18,860</u>
Total Current Liabilities	<u>\$ 1,476,192</u>	<u>\$ 3,986,302</u>
<u>Long-Term Liabilities:</u>		
Capital Lease Payable	\$ -	\$ 42,338
Less: Current Portion of Capital Lease Payable	-	(18,860)
Note Payable	13,804,372	1,193,464
Less: Current Portion of Note Payable	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 13,804,372</u>	<u>\$ 1,216,942</u>
Total Liabilities	<u>\$ 15,280,564</u>	<u>\$ 5,203,244</u>
<u>Net Assets:</u>		
Without Donor Restrictions	\$ 4,613,522	\$ 3,211,896
With Donor Restrictions	<u>192,922</u>	<u>327,325</u>
Total Net Assets	<u>\$ 4,806,444</u>	<u>\$ 3,539,221</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,087,008</u>	<u>\$ 8,742,465</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019			June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support:</u>						
Per Pupil Funding Allocation	\$ 7,723,302	\$ -	\$ 7,723,302	\$ 7,779,232	\$ -	\$ 7,779,232
Per Pupil Funding - Facilities Allocation	1,448,772	-	1,448,772	1,388,837	-	1,388,837
Federal Entitlements and Grants	1,291,153	-	1,291,153	623,009	-	623,009
State Government Grants	77,823	-	77,823	82,014	-	82,014
Service Fees	205,952	-	205,952	268,476	-	268,476
Private Grants and Contributions	18,035	441,946	459,981	7,691	346,903	354,594
Student Activity Fees	400,788	-	400,788	278,100	-	278,100
Interest Revenue	2,640	-	2,640	1,889	-	1,889
Gain/Loss on Disposal of Fixed Assets	1,605	-	1,605	(15,239)	-	(15,239)
Donated Services and Materials	-	-	-	1,184	-	1,184
Other	5,454	-	5,454	-	-	-
<u>Special Event (Auction):</u>						
Contributions Derived	\$ -	\$ 56,918	\$ 56,918	\$ -	\$ 59,460	\$ 59,460
Gifts-in-Kind	12,191	-	12,191	15,152	-	15,152
Entry Fee - Ticket Sales	24,240	-	24,240	18,133	-	18,133
Less: Cost of Direct Benefits to Donors	(21,895)	-	(21,895)	(15,417)	-	(15,417)
Net Revenue from Special Event	<u>\$ 14,536</u>	<u>\$ 56,918</u>	<u>\$ 71,454</u>	<u>\$ 17,868</u>	<u>\$ 59,460</u>	<u>\$ 77,328</u>
Net Assets Released from Restrictions - Satisfaction of Program Restrictions	<u>633,267</u>	<u>(633,267)</u>	<u>-</u>	<u>113,680</u>	<u>(113,680)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>\$ 11,823,327</u>	<u>\$ (134,403)</u>	<u>\$ 11,688,924</u>	<u>\$ 10,546,741</u>	<u>\$ 292,683</u>	<u>\$ 10,839,424</u>
<u>Expenses:</u>						
Educational Services	\$ 9,350,644	\$ -	\$ 9,350,644	\$ 7,771,687	\$ -	\$ 7,771,687
General and Administrative	858,345	-	858,345	733,318	-	733,318
Fundraising	<u>212,712</u>	<u>-</u>	<u>212,712</u>	<u>111,944</u>	<u>-</u>	<u>111,944</u>
Total Expenses	<u>\$ 10,421,701</u>	<u>\$ -</u>	<u>\$ 10,421,701</u>	<u>\$ 8,616,949</u>	<u>\$ -</u>	<u>\$ 8,616,949</u>
Changes in Net Assets	\$ 1,401,626	\$ (134,403)	\$ 1,267,223	\$ 1,929,792	\$ 292,683	\$ 2,222,475
Net Assets at Beginning of Year	<u>3,211,896</u>	<u>327,325</u>	<u>3,539,221</u>	<u>1,282,104</u>	<u>34,642</u>	<u>1,316,746</u>
Net Assets at End of Year	<u>\$ 4,613,522</u>	<u>\$ 192,922</u>	<u>\$ 4,806,444</u>	<u>\$ 3,211,896</u>	<u>\$ 327,325</u>	<u>\$ 3,539,221</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Personnel, Salaries and Benefits:</u>								
Salaries	\$ 5,394,948	\$ 5,018,254	\$ 262,102	\$ 114,592	\$ 4,933,030	\$ 4,395,401	\$ 492,322	\$ 45,307
Employee Benefits	417,757	388,588	20,296	8,873	393,759	350,845	39,297	3,617
Payroll Taxes	424,554	394,910	20,626	9,018	393,757	350,843	39,298	3,616
Staff Development Expense	67,999	64,100	3,173	726	39,436	35,098	4,338	-
Other Personnel Expense	39,486	37,221	1,843	422	15,088	13,429	1,659	-
<b>Total Personnel, Salaries and Benefits</b>	<b>\$ 6,344,744</b>	<b>\$ 5,903,073</b>	<b>\$ 308,040</b>	<b>\$ 133,631</b>	<b>\$ 5,775,070</b>	<b>\$ 5,145,616</b>	<b>\$ 576,914</b>	<b>\$ 52,540</b>
<u>Direct Student Costs:</u>								
Textbooks	\$ 56,794	\$ 56,794	\$ -	\$ -	\$ 27,450	\$ 27,450	\$ -	\$ -
Student Supplies and Materials	122,870	122,870	-	-	93,562	93,562	-	-
Student Assessment Materials	3,120	3,120	-	-	1,687	1,687	-	-
Food Service	335,809	335,809	-	-	428,457	428,457	-	-
Contracted Instruction	558,909	558,909	-	-	596,985	596,985	-	-
Student Travel/Transportation	-	-	-	-	293	293	-	-
Other Student Costs	141,131	141,131	-	-	109,156	109,156	-	-
<b>Total Direct Student Costs</b>	<b>\$ 1,218,633</b>	<b>\$ 1,218,633</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,257,590</b>	<b>\$ 1,257,590</b>	<b>\$ -</b>	<b>\$ -</b>
<u>Occupancy Costs:</u>								
Rent	\$ 248,088	\$ 233,863	\$ 11,577	\$ 2,648	\$ 215,058	\$ 191,620	\$ 21,463	\$ 1,975
Maintenance and Repairs	121,438	114,475	5,667	1,296	123,867	110,367	12,362	1,138
Contracted Building Services	327,467	292,950	22,851	11,666	258,861	230,648	25,835	2,378
Depreciation - Leasehold Improvements	402,789	379,693	18,796	4,300	-	-	-	-
Interest Expense	539,728	514,270	25,458	-	3,123	-	3,123	-
Utilities	134,585	126,868	6,280	1,437	141,953	126,482	14,167	1,304
Janitorial Supplies	2,485	2,342	116	27	1,271	1,133	126	12
<b>Total Occupancy Costs</b>	<b>\$ 1,776,580</b>	<b>\$ 1,664,461</b>	<b>\$ 90,745</b>	<b>\$ 21,374</b>	<b>\$ 744,133</b>	<b>\$ 660,250</b>	<b>\$ 77,076</b>	<b>\$ 6,807</b>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
COMPARATIVE STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>June 30, 2019</u>				<u>June 30, 2018</u>			
	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Educational Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>
<u>Office Expenses:</u>								
Office Supplies and Materials	\$ 31,359	\$ 29,561	\$ 1,463	\$ 335	\$ 15,199	\$ 13,542	\$ 1,517	\$ 140
Equipment Rental and Maintenance	42,258	39,835	1,972	451	25,845	23,029	2,579	237
Telephone/Telecommunications	11,302	10,654	527	121	11,796	10,511	1,177	108
Postage and Shipping	1,441	1,359	67	15	1,078	960	108	10
Computer Support Fees	23,245	22,149	1,096	-	34,237	30,506	3,417	314
Printing and Duplication	<u>1,481</u>	<u>1,396</u>	<u>69</u>	<u>16</u>	<u>2,717</u>	<u>2,421</u>	<u>271</u>	<u>25</u>
Total Office Expenses	<u>\$ 111,086</u>	<u>\$ 104,954</u>	<u>\$ 5,194</u>	<u>\$ 938</u>	<u>\$ 90,872</u>	<u>\$ 80,969</u>	<u>\$ 9,069</u>	<u>\$ 834</u>
<u>General Expenses:</u>								
Insurance	\$ 50,681	\$ 48,290	\$ 2,391	\$ -	\$ 31,926	\$ 28,710	\$ 3,216	\$ -
Authorizer Fee	100,315	95,583	4,732	-	93,980	84,514	9,466	-
Business Fees and Dues	108,866	64,896	43,970	-	49,721	44,713	5,008	-
Other Professional Fees	647,388	190,337	400,282	56,769	471,245	378,075	42,348	50,822
Depreciation	<u>63,408</u>	<u>60,417</u>	<u>2,991</u>	<u>-</u>	<u>102,412</u>	<u>91,250</u>	<u>10,221</u>	<u>941</u>
Total General Expenses	<u>\$ 970,658</u>	<u>\$ 459,523</u>	<u>\$ 454,366</u>	<u>\$ 56,769</u>	<u>\$ 749,284</u>	<u>\$ 627,262</u>	<u>\$ 70,259</u>	<u>\$ 51,763</u>
Total Functional Expenses	<u>\$ 10,421,701</u>	<u>\$ 9,350,644</u>	<u>\$ 858,345</u>	<u>\$ 212,712</u>	<u>\$ 8,616,949</u>	<u>\$ 7,771,687</u>	<u>\$ 733,318</u>	<u>\$ 111,944</u>

(See Accompanying Notes and Auditor's Report)



**DC BILINGUAL PUBLIC CHARTER SCHOOL**  
**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Cash Flows from Operating Activities:</u>		
Changes in Net Assets	\$ 1,267,223	\$ 2,222,475
Adjustments to Reconcile Changes in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation and Amortization	466,196	102,412
Loss on Disposal of Fixed Assets	(1,605)	15,239
Debt Issuance Costs Interest	53,355	17,784
Accounts Receivable - (Increase)/Decrease	155,937	(269,133)
Grants Receivable - (Increase)/Decrease	197,098	(253,859)
Promises Receivable - (Increase)/Decrease	96,960	(101,603)
Prepaid Expenses - (Increase)/Decrease	(20,106)	(56,587)
Deposits - (Increase)/Decrease	24,900	(27,900)
Accounts Payable and Accrued Expenses - Increase/(Decrease)	(2,828,150)	(176,203)
Payroll and Related Liabilities - Increase/(Decrease)	73,615	(1,487)
Refundable Advances - Increase/(Decrease)	15,196	(66,629)
Deferred Rent Abatement - Increase/(Decrease)	<u>248,089</u>	<u>75,446</u>
Net Cash Flows from Operating Activities	<u>\$ (251,292)</u>	<u>\$ 1,479,955</u>
<u>Cash Flows from Investing Activities:</u>		
Purchase of Fixed Assets	\$ (10,645,759)	\$ (955,530)
Sale of Fixed Assets	<u>35,577</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>\$ (10,610,182)</u>	<u>\$ (955,530)</u>
<u>Cash Flows from Financing Activities:</u>		
Loan Proceeds	\$ 12,557,554	\$ 1,442,446
Payment for Debt Issuance Costs	-	(266,766)
Payments on Capital Lease	<u>(42,338)</u>	<u>(17,764)</u>
Net Cash Flows from Financing Activities	<u>\$ 12,515,216</u>	<u>\$ 1,157,916</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 1,653,742	\$ 1,682,341
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>3,236,809</u>	<u>1,554,468</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 4,890,551</u>	<u>\$ 3,236,809</u>

Supplemental Disclosures:

- a) Interest in the amount of \$461,268 and \$7,777 was paid during the years ended June 30, 2019 and 2018, respectively.
- b) Income taxes in the amount of \$1,465 were paid during the year ended June 30, 2019. No income taxes were paid during the year ended June 30, 2018.

Non-Cash Disclosure:

- a) The Charter School incurred construction in progress expense in the amount of \$2,911,395 that was charged to accounts payable as of June 30, 2018.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash and Cash Equivalents	\$ 4,649,169	\$ 2,998,057
Cash Restricted for Long-Term Purposes	<u>241,382</u>	<u>238,752</u>
Total Cash, Cash Equivalents, and Restricted Cash	<u>\$ 4,890,551</u>	<u>\$ 3,236,809</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION:

DC Bilingual Public Charter School (the Charter School), a District of Columbia Not-for-Profit Corporation, was incorporated in December 2003, exclusively for educational purposes. The Charter School operates as part of the District of Columbia Public School System. The mission of the DC Bilingual Public Charter School is to create a learning community that ensures high academic achievement for all students in both Spanish and English, develops leadership, and values all cultures.

**School Description**

Founded in 2004, DC Bilingual offers an innovative dual immersion Spanish and English learning program for all students, regardless of their home language. Through the Charter School's rigorous academic curriculum, comprehensive arts, technology, and food and wellness programs and celebration of diverse cultures, DC Bilingual's students learn the skills and values needed to become influential participants in their community.

DCB's philosophy and teaching model reflect the Charter School's belief that students develop to their full academic potential when they have access to ambitious instruction and a full range of services, differentiated for each student's individualized needs. Our co-teaching model allows instructors to balance direct with small group and 1:1 instruction. Our teachers deliver a unique, dual language immersion model - a form of language instruction that brings together students from all backgrounds to experience learning in both languages, Spanish and English. Throughout the school day, students gain skills, knowledge, and an understanding of academic concepts through communicating in both English and Spanish. DCB complements the Charter School's core curriculum with a vibrant performing and visual arts program, an innovative food and wellness program, access to transformation opportunities, and deep community engagement.

As a result of our programs and practices, the DC Public Charter School Board ranks DC Bilingual a Tier 1 school, among the top performing elementary schools in the city.

Recent accomplishments include the following:

- Named as a "Leveler" school for our exceptional work improving academic outcomes for at-risk students (DC Policy Center, 2019).
- Named an All-STAR school, one of ten in DC public schools city wide, for our students' strong academic growth on the city-wide PARCC assessment (Office of the State Superintendent of Education, 2019).
- Named a "Bold Improvement School," for our commitment and success in helping DC's most at-risk students achieve outstanding academic growth (Empower K12 and Education Reform Now, 2018).
- Ranked in the top 25% of all DC charter schools for our instructional culture (The New Teacher Project, 2018).

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies of the Charter School are summarized below:

(a) Basis of Accounting and Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting, which presents financial position, activities, functional expenses, and cash flows in accordance with accounting principles generally accepted in the United States of America (GAAP).

(b) Revenue Recognition:

**Contributions**

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received.

Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restriction, if any, on the contribution. An allowance for uncollectible contributions receivable is provided based upon management's judgement, including such factors as prior collection history and type of contribution.

Conditional promises, such as matching grants, are not recognized as revenue until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Federal and Charter School Funding**

The Charter School receives a student allocation from the District of Columbia as well as federal funding to cover the cost of academic expenses. The student allocation is on a per pupil basis and includes the academic year funding, special education funding, and a facilities allotment. The Charter School recognized this funding in the year in which the school term is conducted. Funding received in advance of the school term is recorded as a deferred revenue. Federal entitlements are recognized based on the allowable costs incurred.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Revenue Recognition: (Continued)

**Auctions - Gifts-in-Kind**

The Charter School held an auction of donated non-cash assets referred to as gifts-in-kind during the year ended June 30, 2019 and 2018. The gifts-in-kind are recognized at fair value at the time of donation. The difference between the amount received for these items from the winning bidder and the fair value of the gifts-in-kind when originally contributed to the Charter School, is adjusted either upwards or downwards to contribution revenue.

(c) Corporate Taxes:

The Charter School is exempt from federal and district income taxes (other than on unrelated business income) under the provisions of Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Charter School has been classified as other than a private foundation under Section 509(a)(1) of the Internal Revenue Code and accordingly contributions qualify as a charitable tax deduction by the contributor under Section 170(b)(i)(A)(ii). Under IRC Section 512(a)(7), certain transportation benefits are subject to unrelated business income tax. As of June 30, 2019, the Charter School recognized \$349 of income tax expense related to filing of the 2018 990-T tax return. In addition, \$250 of income tax expense due to the District of Columbia has been recorded in the financial statements related to income tax on transportation benefits.

The Charter School is also exempt from District of Columbia sales and use tax.

(d) Grants:

Grant revenues are received primarily from Federal agencies and the District of Columbia. These grants are subject to financial and compliance audits by the grantor agencies. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. No provision for possible adjustments for disallowed costs has been made in the accompanying financial statements, as management believes any such adjustment would not have a material effect on the financial statements.

Cash receipts in excess of costs incurred for grants are reflected as refundable advances until they are expended for the purpose of the grant, at which time they are recognized as unrestricted support. Costs incurred in excess of cash received are reflected as grants receivable.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets:

The Charter School reports information regarding its financial position and activities according to two classes of net assets. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of restrictions on use that are placed by the donor. Accordingly, net assets of the Charter School and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations and over which the Board of Directors has discretionary control. The only limits on the use of these net assets are the broad limits resulting from the Charter School's purpose, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements that are entered into in the course of its operations.

From time to time, the Board of Directors designates a portion of the Charter School's unrestricted net assets for purposes that are of importance to the organization.

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature whereby the Charter School must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions** (Continued)

Net assets with donor restrictions were available at year end for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Fight for Children/Joe's Champs	\$ -	\$ 14,649
Expanding Our School Garden	1,000	596
Flamboyant	-	2,934
Action for Healthy Kids	949	249
Kids Cook Monday Grant	124	124
The Nature Conservancy	-	706
Fuel up to Play	3,067	3,067
Field Trips and Food	1,325	409
Home Visit and Dance Studio	31,338	-
Family Center	11,287	-
Whole Kids	700	2,000
Piano Project	14	-
Virtual Training	15,000	-
Project Produce	928	2,000
Cafritz	50,000	100,000
Dodge Family Fund	33,600	45,000
Community Kitchen	-	105,591
Library	-	50,000
Family Engagement	8,013	-
Resident Principal Grant	<u>35,577</u>	<u>-</u>
Total Net Assets Available	<u>\$ 192,922</u>	<u>\$ 327,325</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(e) Net Assets: (Continued)

**Net Assets with Donor Restrictions** (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, the passage of time, or by the occurrence of events specified by donors for the following programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Gala	\$ -	\$ 600
Flamboyant	26,118	38,581
Renovations	271,931	-
Fight for Children/Joe's Champs	14,649	38,425
Field Trips and Food	2,105	4,074
The Nature Conservancy	706	1,294
Action for Healthy Kids	-	897
Project Produce	1,072	-
Dodge Family Fund	61,400	-
Kinder Out of School Time Program	25,000	-
Piano Project	2,649	-
Kids Cook Monday Grant	-	47
Whole Kids	1,300	-
Resident Principal Grant	89,423	-
Arts and Concerts	-	1,071
Fuel up to Play	-	897
Expanding Our School Garden	596	2,794
Robert's Foundation	-	25,000
Family Engagement	5,737	-
School Video	5,000	-
Charter school Growth Fund	100,000	-
Home Visit and Dance Studio	<u>25,581</u>	<u>-</u>
Total Net Assets Released from Restrictions	<u>\$ 633,267</u>	<u>\$ 113,680</u>

(f) Donated Services and Materials:

Donated services and materials are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions Received and Contributions Made*, if the services received create or enhance nonfinancial assets or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized. The time contributed by the Board of Directors is uncompensated and is not reflected as donated services. In-kind contributions are recorded in the statement of activities at estimated fair value and recognized as revenue and expense (or an asset) in the period they are received.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(f) Donated Services and Materials: (Continued)

The estimated value of donated services and materials has been recorded in the financial statements as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Marketing and Other Services	\$ _____ -	\$ <u>1,184</u>

(g) Functional Expense Allocation Policies and Procedures:

The statement of functional expenses presents an allocation of each expense category between program services, general and administrative, and fundraising activities. Program service costs consist of those expenses incurred to fulfill the Charter School's mission. General and administrative costs pertain to supporting activities. Fundraising expenses relate to fundraising activities such as generating contributions and seeking unsolicited financial support and grants.

Management has established functional expense allocation policies and procedures based on a reasonable analysis of cost drivers and reasonable allocation methodologies based on financial results and industry standards.

Expenses that can be identified with a specific program or support service are charged directly to the program or support service. The Charter School has established a method to specifically identify and record those costs that are considered to be direct student expenses. Such program expenses consist of contracted student instruction, food service, student events, transportation and textbooks.

Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Personnel expense for salaries, payroll taxes and employee benefit plans are allocated based on estimated amounts of time spent on particular activities.
- Costs of professional fees, legal and accounting, insurance, other general expense, and other similar expenses are allocated based on the underlying use of these costs by various programs determined by management and evaluated annually.
- Certain staff expenses including travel, meetings and development are generally allocated between administrative and program functions on a percentage basis that is equivalent to that determined for salaries and wages.
- Shared costs (office supplies, telephone, equipment rental, postage and computer expense) are allocated based on estimated amounts of time spent on particular activities by utilizing a full time employee equivalency calculation.
- Costs for facilities such as rent, utilities, maintenance and repairs are allocated based on estimated amounts of time spent on particular activities by utilizing a full time employee equivalency calculation.



DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(h) Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(i) Recognition of Salary Expense:

Salary expense is recognized in the year the service is rendered, which coincides with the academic year. Salaries unpaid at June 30 are recognized as expense and accrued salaries.

(j) Fair Value of Certain Financial Instruments:

Some of the Charter School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such accounts include cash, accounts receivable, prepaid expenses, accounts payable, and accrued expenses.

(k) Reclassifications:

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in the net assets or total net assets from the prior years.

(l) Change in Accounting Principles:

The Charter School implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of activities has been changed to present columns for both activities with donor restrictions and activities without donor restrictions as management believes this better reports changes in the Charter School's changes in financial position arising from its activities.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(l) Change in Accounting Principles: (Continued)

- The statement of functional expenses is included as a component of the financial statements.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes had no effect on net assets at July 1, 2018.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Charter School's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

The Charter School has certain donor-restricted net assets that are considered to be available for general expenditures, because the restrictions on the net assets are expected to be met by conducting the normal activities of the programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

	<u>June 30, 2019</u>
Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 4,890,551
Accounts Receivable	217,558
Grants Receivable	142,423
Promises Receivable	<u>33,000</u>
Total Financial Assets	<u>\$ 5,283,532</u>
Less Amounts Not Available for General Expenditure Within One Year Due to:	
Contractual Restrictions:	
Cash Restricted for Debt Services	<u>\$ 241,382</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 5,042,150</u>

As part of the Charter School's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTING FOR UNCERTAIN TAX POSITIONS:

Accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in the Charter School's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The DC Bilingual Public Charter School performed an evaluation of uncertain tax positions for the year ended June 30, 2019, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of June 30, 2019, the statute of limitations for tax years 2015 through 2017 remains open with the U.S. federal jurisdiction or the District and various states and local jurisdictions in which the Charter School files tax returns. It is the Charter School's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2019, the Charter School had no accruals for interest and/or penalties.

5. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Checking Account	\$ 4,636,913	\$ 2,984,511
Savings Account	251,419	248,779
Petty Cash	2,219	3,519
Total	\$ 4,890,551	\$ 3,236,809

For purposes of the cash flow statement and financial statement presentation, cash and cash equivalents are short term, highly liquid investments with maturities of three months or less.

The Charter School maintains its operating funds in multiple financial institutions. These checking accounts are covered under the Federal Deposit Insurance Corporation (FDIC) Program. Federal Deposit Insurance Corporation Insurance coverage is \$250,000 per banking institution, as well as account category. Deposits held in non-interest-bearing transaction accounts are aggregated with any interest-bearing deposits and the combined total insured up to \$250,000.

As of June 30, 2019 and 2018, \$3,705,291 and \$2,612,629, respectively, of the bank balance was deposited in excess of Federal Deposit Insurance Corporation limits. Due to increased cash flows at certain times during the year, the amount of funds at risk may have been greater than at year end. The Charter School was at risk for funds held in excess of the insured amounts. The Charter School has not experienced any losses related to these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

5. CASH AND CASH EQUIVALENTS: (Continued)

**Cash Restricted for Debt Service**

Under the terms of a promissory note with Eagle Bank, the Charter School has established a debt service reserve collateral account with Eagle Bank. This account serves as security for the loan obligations as a security interest is granted to Eagle Bank in this account. This account was established during the year ended June 30, 2018. A minimum deposit of \$238,243 was required to be made to this account upon its opening. Withdrawals or disbursements are not allowed to be made from this account and any earnings on the account must be reinvested into the account. The balance of this account as of June 30, 2019 and 2018 is \$241,382 and \$238,752, respectively.

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE:

**Accounts and Grants Receivable**

Accounts and grants receivable are current and considered to be fully collectible by management. Balances as of June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<u>Accounts Receivable</u>		
Per Pupil Funding	\$ 31,285	\$ 108,234
Medicaid - School Based Services	157,952	206,141
Student Activity Fees	27,825	1,774
Employee Receivables	339	-
Other	<u>157</u>	<u>57,346</u>
Total	<u>\$ 217,558</u>	<u>\$ 373,495</u>
<u>Grants Receivable</u>		
National School Lunch and Breakfast Programs	\$ 58,245	\$ 35,942
E-Rate	5,525	5,526
No Child Left Behind - Entitlement Funds	42,547	255,547
Fresh Fruits and Vegetables Program	1,670	4,115
Healthy Schools Act	4,168	2,495
School Garden Grant	10,445	8,937
Scholarship for Opportunity and Results Act (SOAR)	-	24,194
Special Education, IDEA Grants to Local Education Agencies	2,791	2,765
Cafeteria Staff Training Grant	<u>17,032</u>	<u>-</u>
Total	<u>\$ 142,423</u>	<u>\$ 339,521</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

6. ACCOUNTS, GRANTS AND PROMISES RECEIVABLE: (Continued)

**Accounts and Grants Receivable** (Continued)

The Charter School's accounts and grants receivable consists of unsecured amounts due from funding sources whose ability to pay is subject to changes in general economic conditions. Because the Charter School does not require collateral, it is at credit risk for amounts owed to it throughout the year and at year end.

Accounts and grants receivables are recorded when billed or accrued and reported net of an allowance for doubtful accounts, if any. Management provides for probable uncollectible amounts through bad debt expense and only after reasonable collection efforts have been exhausted. Management believes that no allowance for doubtful accounts is required at June 30, 2019 and 2018.

Trade receivables related to program service fees (activity fees, before and after care, etc.) are recognized as revenue at the time the program activity has occurred. Trade receivables are written off as uncollectible when payment has not been received after 180 days.

**Promises Receivable**

Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Charter School. The Charter School uses the allowance method to determine uncollectible promises to give. Balances at year end consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Promises - Purpose Restricted	\$ 28,000	\$ 129,960
General	<u>5,000</u>	<u>-</u>
Total Promises Receivable	<u>\$ 33,000</u>	<u>\$ 129,960</u>

The above unconditional promises are due to be received within the next year.

7. FIXED ASSETS:

Furniture, equipment and textbooks are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If an expenditure in excess of \$1,000 results in an asset having an estimated useful life which extends substantially beyond the year of acquisition, the expenditure is capitalized at cost and depreciated over the estimated useful lives of the assets. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected as income for the period. Depreciation has been provided on the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended June 30, 2019 and 2018 was \$466,196 and \$102,412, respectively. Maintenance and repairs are charged to expenses as incurred.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

7. FIXED ASSETS: (Continued)

Major classifications of fixed assets and their estimated useful lives are as summarized below:

<u>June 30, 2019</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 108,125	\$ 50,112	\$ 58,013
Computer Equipment	3-5 Years	248,361	202,871	45,490
Construction in Progress	-	34,500	-	34,500
Leasehold Improvements	Remainder of Lease	<u>14,942,907</u>	<u>402,789</u>	<u>14,540,118</u>
Total		<u>\$ 15,333,893</u>	<u>\$ 655,772</u>	<u>\$ 14,678,121</u>

<u>June 30, 2018</u>	<u>Depreciable Life</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Furniture and Equipment	3-7 Years	\$ 159,682	\$ 103,495	\$ 56,187
Computer Equipment	3-5 Years	240,904	182,947	57,957
Construction in Progress	-	<u>4,418,387</u>	<u>-</u>	<u>4,418,387</u>
Total		<u>\$ 4,818,973</u>	<u>\$ 286,442</u>	<u>\$ 4,532,531</u>

8. DEFERRED RENT:

Accounting principles generally accepted in the United States of America require that rent expense, pursuant to a non-cancelable lease that includes fixed scheduled rent increases, be recorded on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent in the accompanying statements of financial position. As more fully discussed in Note 15, the DC Bilingual Public Charter School entered into a lease agreement for the rental of a school building located in Washington, DC, for 30 years, commencing on March 12, 2018, and expiring on March 31, 2048. Accordingly, future rent payments have been recorded as a liability to adjust the actual rent paid to conform to the straight-line basis. The balance of unamortized deferred rent at June 30, 2019 and 2018 was \$323,535 and \$75,446, respectively.

9. CAPITAL LEASE PAYABLE:

During the year ended June 30, 2016, the Charter School entered into a capital lease for the purchase of two photocopiers. The amount financed on the capital lease was \$90,032, payable over 60 months with a monthly payment of \$1,741. Maturity is scheduled for August 31, 2020. Interest expense was \$982 and \$3,123 for the years ended June 30, 2019 and 2018, respectively, using an implicit rate of 6%. The lease is secured by the photocopiers, which cost \$90,032, and is presented as part of fixed assets. During the year ended June 30, 2019, the Charter School disposed of the photocopiers, in which the capital lease was incorporated into the new purchase agreement of the new operating lease photocopiers, as more fully discussed in Note 17. For the year ended June 30, 2018, the depreciation expense of \$18,006 on the photocopiers has been included in depreciation expense. Accumulated depreciation was \$49,518 at June 30, 2018. The balance of the capital lease was \$42,338 at June 30, 2018.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

10. LOAN PAYABLE:

**Eagle Bank - Construction Loan**

On March 13, 2018, the District of Columbia Bilingual Public Charter School entered into a promissory note with Eagle Bank in the amount of \$14,000,000. This note was for the purpose of renovation and construction of the land and school facility, known as Keene School located at 33 Riggs Road, NE. As of June 30, 2019, the Charter School had borrowed \$14,000,000 on the loan, the full amount. As of June 30, 2018, the Charter School borrowed \$1,442,446 against the loan. This loan calls for consecutive monthly installments of interest only payments effective April 1, 2018, through March 31, 2021. Commencing April 1, 2021, monthly installments of principal and interest are required until maturity of the loan. This note bears interest at a fixed rate of 4.7% per annum. Principal and interest payments are based on a twenty-five (25) year amortization. Maturity on this loan is scheduled for March 13, 2023, at which point there is a balloon payment of any remaining outstanding principal and unpaid interest. As a provision of this loan, the Charter School is permitted to prepay any portion of the principal balance, however they may be subject to a “breakage fee” equal to two percent (2%) of the principal amount prepaid. After three years, prepayments on the loan may be made with no breakage fee. The Charter School is required to meet certain covenants, but not limited to, maintaining a debt service coverage ratio of at least 1.15 to 1.00. Upon execution of this loan, the Charter School was required to open a Debt Service Reserve Account and deposit a total amount of \$238,243 of which, withdrawals and disbursements can only be made as permitted by Eagle Bank for Debt Service obligations. The balance of this cash account as of June 30, 2019 and 2018 is \$241,382 and \$238,752, respectively. This loan was secured by the leasehold interest in the real estate located at 33 Riggs Road NE, Washington, DC, improvements to the real estate, fixtures, all profits and revenues including the Per Pupil Funding from the District of Columbia. Eagle Bank’s security interest was recorded as the first deed of trust. Interest expense for the years ended June 30, 2019 and 2018 in the amount of \$21,897 and \$6,400, respectively, has been capitalized as part of construction in progress. In addition to this, interest expense in the amount of \$494,286 is reflected in the statement of activities for the year ended June 30, 2019. The balance of this note at June 30, 2019, was \$14,000,000. Future minimum required payments of principal on this loan for the next four years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2020	\$ -
2021	74,032
2022	304,966
2023	<u>13,621,002</u>
Total	<u>\$ 14,000,000</u>

**Debt Issuance Costs**

The Charter School adopted the requirements of FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the related debt. Amortization of the debt issuance costs in the amount of \$8,892 and \$17,784 was capitalized as part of construction in progress during the years ended June 30, 2019 and 2018, respectively. Amortization of debt issuance costs in the amount of \$44,461 was expensed for the year ended June 30, 2019.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

10. LOAN PAYABLE: (Continued)

**Debt Issuance Costs** (Continued)

Long-term debt at June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Notes Payable	\$ 14,000,000	\$ 1,442,446
Less: Unamortized Debt Issuance Costs	<u>(195,628)</u>	<u>(248,982)</u>
Total	<u>\$ 13,804,372</u>	<u>\$ 1,193,464</u>

11. LINE OF CREDIT:

On July 23, 2015, the Charter School entered into a variable rate revolving \$500,000 line of credit arrangement with United Bank. The purpose of the line of credit was to provide short-term working capital, including relocation expenses. The line was collateralized with a first priority interest on all corporate assets of the Charter School and an assignment of the Charter School's facilities allotment. The line was payable on demand and calls for monthly interest payments at a rate floating monthly at the prevailing 30 day LIBOR as published in the Wall Street Journal and subject to a floor of 4.50%. This line of credit expired on December 31, 2017. There was no balance outstanding on this credit line as of June 30, 2019.

12. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT:

The Charter School was approved by the District of Columbia Public Charter School Board to operate a charter school in the District of Columbia. The District of Columbia Public Charter School Board (DCPCSB) is responsible for the ongoing oversight of the Charter School's fiscal management and academic acceptability. The contract, dated July 8, 2004, provides for a 15-year charter effective the date of first operation. On January 28, 2019, the DCPCSB voted to approve the DC Bilingual Public Charter School's renewal application and renew the school for a second fifteen-year term. In addition, in accordance with the Charter School Act, the DCPCSB is required to review the DC Bilingual charter every five years, with the next review scheduled for 2023/2024. The DCPCSB may revoke (or not renew) a charter school contract if a school violates applicable law, materially violates the charter contract or fails to meet the student academic achievement expectations set forth in the charter contract. Consequently, management does not anticipate non-renewal or revocation of its charter.

As part of the agreement with the DCPCSB, the Charter School may be charged a public charter school fee, which is not to exceed one percent (.9% for the 18/19 school year) of the total revenues (less philanthropic and investment revenues) within the annual budget to cover the costs of undertaking the ongoing administrative responsibilities of the Board. For the years ended June 30, 2019 and 2018, the Charter School incurred \$100,315 and \$93,980, respectively, in administrative fees.



DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

12. DISTRICT OF COLUMBIA PUBLIC CHARTER SCHOOL BOARD CONTRACT: (Continued)

The charter contract provides that the Charter School may initially educate up to a predetermined number of students. However, this enrollment limit may be raised upon notification to and acceptance by the DCPCSB. The Charter School enrollment ceiling for the year ended June 30, 2019, was not permitted to be greater than 500 students. Audit enrollment for the 2018/2019 year was 444 students.

13. PER-PUPIL FUNDING ALLOCATION:

The Charter School receives local funding from the District of Columbia in the form of per-pupil educational allotments and facility allotments. This funding is based on the equivalent number of full-time students and is determined annually. For the year ended June 30, 2019, the per-student rate ranged from \$10,658 to \$14,282 for the educational allotment and \$3,263 for the facility allotment. For the year ended June 30, 2018, the per-student rate ranged from \$10,257 to \$13,744 for the educational allotment and \$3,193 for the facility allotment. Per-pupil funding for the years ended June 30, 2019 and 2018 was as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Pre-K - Grade 5	\$ 5,224,338	\$ 4,919,667
Special Education	1,206,938	1,386,811
English as a Second Language	1,007,927	1,005,186
At Risk Students	284,099	327,950
Facilities Allotment	1,448,772	1,388,837
Teachers Collective Bargaining	<u>-</u>	<u>139,618</u>
Total	<u>\$ 9,172,074</u>	<u>\$ 9,168,069</u>

14. FEDERAL ENTITLEMENTS AND GRANTS:

During the years ended June 30, 2019 and 2018, the Charter School participated in the following award programs:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
National School Lunch and Breakfast Programs	\$ 250,595	\$ 229,074
No Child Left Behind - Entitlement Funds	273,957	255,546
Scholarship for Opportunity and Results Act (SOAR)	666,855	80,135
Special Education, IDEA, Grants to Local Education Agencies	86,144	58,254
NSLP Equipment Assistance Grant	<u>13,602</u>	<u>-</u>
Total	<u>\$ 1,291,153</u>	<u>\$ 623,009</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

14. FEDERAL ENTITLEMENTS AND GRANTS: (Continued)

Federal formula grants are allocations of money to states or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. The Charter School receives federal formula grants under the provisions of the No Child Left Behind Act (NCLB) of 2001, P.L 107-110. NCLB funds are not intended to replace state or local educational funding, but rather, provide additional support to states, LEAs, and schools for specific purposes. Grants are provided by the U.S. Department of Education and passed through the District of Columbia Office of State Superintendent of Education (OSSE). The National School Lunch Program and School Breakfast Program are part of the child nutrition cluster of programs operated by the U.S. Department of Agriculture.

15. LEASE COMMITMENTS:

**Building Lease**

In June 2015, The Charter School entered into a license to occupy agreement with the District of Columbia to provide a Public Charter School on the premises at 33 Riggs Road, NE. The terms of this agreement were for a one-year term commencing on July 1, 2015, and expiring June 30, 2016. This agreement was extended for an additional one-year term expiring June 30, 2017. The monthly required payment at June 30, 2017, was \$16,617. During the year ended June 30, 2017, the Charter School incurred \$199,408 in licensing fees. On June 29, 2017, the Charter School signed an amendment to the lease which extended the lease term to March 12, 2018, the date on which the long-term ground lease for the building occurred. The amendment to the lease called for monthly payments of \$16,950 until this amended lease ended on March 12, 2018.

On March 12, 2018, the Charter School signed a new lease agreement with the District of Columbia for the land and school building located at 33-35 Riggs Road, NE, Washington, DC. The Charter School is completing a construction project for improvements to the school building. The lease is for a period of 30 years. The monthly rent payments began on March 12, 2018, (prorated for March) at a monthly amount of \$16,133. This payment amount is scheduled to continue until the rent adjustment date. This rent adjustment date is the earlier of two years from the beginning of the lease or the date construction is completed. On the rent adjustment date, the monthly rental payment increases to \$48,833. This monthly rental payment then increases by 2% annually over the life of the lease. The lease agreement also adjusts the rent payments for the approved amount of renovation costs once the construction is completed on the school building. The schedule below reflects an abatement of construction costs in the amount of \$15,790,580. Future required minimum rental lease payments with the change in deferred rent over the remaining life of the lease are as follows:

<u>Year Ending June 30,</u>	<u>Rent Obligation</u>	<u>Deferred Rent</u>	<u>Rent Cash Payment</u>
2020	\$ 248,089	\$ (248,089)	\$ -
2021	248,089	(248,089)	-
2022	248,089	(248,089)	-
2023	248,089	(248,089)	-
2024	248,089	(248,089)	-
Thereafter	<u>5,878,685</u>	<u>1,563,980</u>	<u>7,442,665</u>
Total Future Minimum Lease Payments	<u>\$ 7,119,130</u>	<u>\$ 323,535</u>	<u>\$ 7,442,665</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

15. LEASE COMMITMENTS: (Continued)

**Operating Lease - Photocopiers**

The Charter School entered into an operating lease with Cannon Financial for the rental of 3 imageRunner Advance C7570i photocopiers. This operating lease terms are for sixty (60) months, with monthly lease amounts of \$1,565 each for one lease. Equipment rental expense totaled \$6,258 for the year ending June 30, 2019. Future minimum payments due under this lease are as follows:

<u>Year Ended June 30,</u>	
2020	\$ 18,775
2021	18,775
2022	18,775
2023	18,775
2024	<u>12,516</u>
Total	<u>\$ 87,616</u>

As part of the purchase agreement between the Charter School and Cannon Financial, Cannon Financial bought out the capital lease for 3 copiers, which provided the Charter School an amount of \$36,552 to make a total of twenty-one (21) remaining payments of \$1,741 for the capital lease with Konica Minolta Business Solutions. During the year, the Charter School offset a total of seven monthly payments of \$1,741 to Konica Minolta Business Solutions against the amount received by Cannon Financial, for which no expense has been recognized. As of June 30, 2019, fourteen (14) remaining payments totaling \$24,368 have been recorded as an accrued liability.

16. CONCENTRATIONS:

**Revenues**

The Charter School receives public funds from the District of Columbia (DC) based on the number of students they enroll according to the Uniform Per Student Funding Formula. This per pupil allocation is supplemented with extra funds for students with special needs. During the years ended June 30, 2019 and 2018, seventy-eight (78%) and eighty-four percent (84%), respectively, of total support was received from the District of Columbia in the form of per pupil funding.

In addition to the revenue received through the Uniform Per Student Funding, the Charter School receives District and federal grants awarded under the auspices of the U.S. Department of Education (No Child Left Behind and special education), as well as the U.S. Department of Agriculture (Child Nutrition). The Charter School is entitled to receive these funds by virtue of its recognition as a Local Education Agency by the District of Columbia Public Charter School Board (DCPCSB).

The Charter School is limited to enrolling students that are residents of the District of Columbia. As a DC Public Charter School, the Charter School must compete for students against the DC Public School system as well as other DC Public Charter Schools.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

17. CONTINGENCIES:

The Charter School was granted its charter by the District of Columbia Public Charter School Board, authorized under the District of Columbia School Reform Act of 1995, Public Law 104-134, as amended. The Charter School has no reason to believe that this relationship will be discontinued in the foreseeable future. However, any interruption of this relationship (i.e., the failure to continue this charter authorization or withholding funds) could adversely affect the Charter School's ability to finance ongoing operations.

The Charter School depends on per pupil allocations, grants, and contributions for a significant portion of its revenues. The ability of the sources of revenues to continue giving amounts comparable with prior years may be dependent upon future economic conditions and continued deductibility for income tax purposes of grants and contributions to the Charter School. While the Charter School's Board of Directors and management believes the Charter School has the resources to continue its programs, its ability to do so, and the extent to which it continues, may be dependent on the above factors.

Laws and regulations governing charter schools are complex and subject to interpretation. The Charter School believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing.

The viability of public charter schools and funding for these schools is dependent on the consensus of current and future administrations of the District of Columbia Government. Any future change in dynamics could adversely affect the operations of public charter schools.

18. SUBSEQUENT EVENTS:

**Financial Statement Preparation**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 5, 2019, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

19. RELATED PARTY TRANSACTIONS:

**Contributions**

Various board members and employees of the Charter School, organizations for which they are affiliated, and relatives of board members gave contributions to the Charter School in the amount of \$44,701 and \$71,630, respectively, during the years ended June 30, 2019 and 2018.

**Board Members**

Some of the board members have children that are currently enrolled in the DC Bilingual Public Charter School.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS

20. FUNDRAISING:

During the years ended June 30, 2019 and 2018, expenses incurred for the purpose of fundraising were \$212,712 and \$111,944, respectively.

21. ADVERTISING COSTS:

Advertising costs are expensed when incurred. Advertising activities were conducted for the purpose of promoting open enrollment to the Charter School and to provide outreach to the community. Direct advertising costs in the amount of \$4,386 and \$170 were incurred during the years ended June 30, 2019 and 2018, respectively.

22. RETIREMENT PLAN:

The Charter School provides pension benefits for its employees through a qualified defined contribution 401(k) retirement plan administered by a third party. All employees, including part-time employees working at least twenty hours per week are eligible to participate in the Plan. The Charter School contributes, at its discretion, an amount up to 3% of eligible compensation for employees who successfully complete the orientation period. Employer contributions for the years ended June 30, 2019 and 2018 totaled \$145,453 and \$131,858, respectively.

23. EMPLOYEE BENEFITS:

The cost of payroll taxes and fringe benefits incurred for the years ended June 30, 2019 and 2018 consisted of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Social Security/Medicare	\$ 392,589	\$ 363,963
Health Insurance	223,691	207,946
Retirement	145,453	131,858
Life and Disability Insurance	25,079	22,675
Unemployment	20,625	29,794
Worker's Compensation	23,534	31,280
Universal Paid Leave	<u>11,340</u>	<u>-</u>
Total	<u>\$ 842,311</u>	<u>\$ 787,516</u>

DC BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program or Award Amount</u>	<u>Period of Award</u>	<u>Grant Receivable at 7/1/18</u>	<u>Current Year Activity</u>		<u>Grant Receivable at 6/30/19</u>
						<u>Receipts</u>	<u>Disbursements Expenditures</u>	
<u>U.S. Department of Education:</u>								
Passed Through the District of Columbia:								
Special Education Cluster:								
Special Education - Grants to States (IDEA, Part B)	84.027A	92027A	\$ 81,455	07/01/18 to 09/30/19	\$ -	\$ 74,795	\$ 77,586	\$ 2,791
Special Education - Grants to States (IDEA, Part B)	84.027A	82027A	\$ 77,407	07/01/17 to 09/30/18	-	7,278	7,278	-
Special Education - Preschool Grants (IDEA Preschool)	84.173A	92173A	\$ 1,279	07/01/18 to 09/30/19	-	1,279	1,279	-
Total Special Education Cluster					\$ -	\$ 83,352	\$ 86,143	\$ 2,791
Title I, Part A, Grants to Local Educational Agencies	84.010A	92010A	\$ 200,525	07/01/18 to 09/30/19	\$ -	\$ 162,397	\$ 192,251	\$ 29,854
Title I, Part A, Grants to Local Educational Agencies	84.010A	82010A	\$ 182,373	07/01/17 to 09/30/18	182,373	182,373	-	-
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	92367A	\$ 40,437	07/01/18 to 09/30/19	-	32,154	38,063	5,909
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	82367A	\$ 40,437	07/01/17 to 09/30/18	40,437	40,437	-	-
Title III, Part A, English Language Acquisition State Grants	84.365A	92365A	\$ 24,104	07/01/18 to 09/30/19	-	19,476	23,065	3,589
Title III, Part A, English Language Acquisition State Grants	84.365A	82365A	\$ 22,737	07/01/17 to 09/30/18	22,737	22,737	-	-
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	92424A	\$ 21,464	07/01/18 to 09/30/19	-	17,383	20,578	3,195
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	82424A	\$ 10,000	07/01/17 to 09/30/18	10,000	10,000	-	-
DC School Choice Incentive Program	84.370C	U370C180001	\$ 95,153	05/25/18 to 05/24/19	-	95,153	95,153	-
DC School Choice Incentive Program	84.370C	U370C170001	\$ 571,703	10/01/17 to 09/30/18	-	571,703	571,703	-
Total U.S. Department of Education					\$ 255,547	\$ 1,237,165	\$ 1,026,956	\$ 45,338
<u>U.S. Department of Agriculture:</u>								
Passed Through the District of Columbia:								
Child Nutrition Cluster:								
School Breakfast Program	10.553	N/A	N/A	07/01/18 to 06/30/19	\$ -	\$ 29,501	\$ 41,051	\$ 11,550
School Breakfast Program	10.553	N/A	N/A	07/01/17 to 06/30/18	9,499	9,499	-	-
National School Lunch Program	10.555	N/A	N/A	07/01/18 to 06/30/19	-	109,763	156,458	46,695
National School Lunch Program	10.555	N/A	N/A	07/01/17 to 06/30/18	26,444	26,444	-	-
Donated Commodities	10.555	N/A	\$ 30,769	07/01/18 to 06/30/19	-	30,769	30,769	-
Total Child Nutrition Cluster					\$ 35,943	\$ 205,976	\$ 228,278	\$ 58,245
NSLP Equipment Assistance Grant	10.579	EQNSLE	\$ 13,602	10/01/17 to 09/30/18	\$ -	\$ 13,602	\$ 13,602	\$ -
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/18 to 06/30/19	-	20,647	22,317	1,670
Fresh Fruit and Vegetable Program	10.582	N/A	N/A	07/01/17 to 06/30/18	4,115	4,115	-	-
Total U.S. Department of Agriculture					\$ 40,058	\$ 244,340	\$ 264,197	\$ 59,915
Total Federal Awards					\$ 295,605	\$ 1,481,505	\$ 1,291,153	\$ 105,253

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Summary by CFDA

<u>Program</u>	<u>CFDA Number</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 84,864
Special Education - Preschool Grants (IDEA Preschool)	84.173A	1,279
Title I, Part A, Grants to Local Educational Agencies	84.010A	192,251
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	38,063
Title III, Part A, English Language Acquisition State Grants	84.365A	23,065
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	20,578
DC School Choice Incentive Program	84.370A	666,856
School Breakfast Program	10.553	41,051
National School Lunch Program	10.555	156,458
Donated Commodities	10.555	30,769
NSLP Equipment Assistance Grant	10.579	13,602
Fresh Fruit and Vegetable Program	10.582	<u>22,317</u>
 Total Federal Awards		 <u>\$ 1,291,153</u>

(See Accompanying Notes and Auditor's Report)

DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Charter School under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Charter School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter School.

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Charter School has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Food Commodities:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

Note 4 - Pass-Through Funds:

The Charter School did not pass through any federal funds to subrecipients.

Note 5 - Major Program Selection:

The major Federal Award Program selected for testing is as follows:

U.S. Department of Education

- DC School Choice Incentive Program

The requirements of the Office of Management and Budget Uniform Guidance requires all major programs as determined by the auditor on a risk-based approach and/or at least 40% (20% for low risk auditees) of all federal awards be subject to specific control and/or compliance testing. For the DC Bilingual Public Charter School, the program subject to these requirements is as listed above. The total expenditures of this program represent 51.65% of the total federal expenditures.



DC BILINGUAL PUBLIC CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Note 5 - Major Program Selection: (Continued)

<u>Programs</u>	<u>CFDA #</u>	<u>Amount of Expenditures</u>
Special Education - Grants to States (IDEA, Part B)	84.027A	\$ 84,864
Special Education - Preschool Grants (IDEA Preschool)	84.173A	1,279
Title I, Part A, Grants to Local Educational Agencies	84.010A	192,251
Title II, Part A, Supporting Effective Instruction State Grant	84.367A	38,063
Title III, Part A, English Language Acquisition State Grants	84.365A	23,065
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424A	20,578
DC School Choice Incentive Program	84.370A	666,856*
School Breakfast Program	10.553	41,051
National School Lunch Program	10.555	156,458
Donated Commodities	10.555	30,769
NSLP Equipment Assistance Grant	10.579	13,602
Fresh Fruit and Vegetable Program	10.582	<u>22,317</u>
 Total Federal Awards		 <u>\$ 1,291,153</u>

\* Denotes Major Program

Note 6 - Major Program Disclosure:

I. U.S. Department of Education

1) DC School Choice Incentive Program

**Scholarships for Opportunity and Results (SOAR) Act - Increasing Academic Quality**

The purpose of the Scholarship for Opportunity and Results (SOAR) Act grant is to improve school performance and educational outcomes.

**Scholarships for Opportunity and Results (SOAR) Act - Public Facilities**

The purpose of this funding program is to provide high -quality public charter schools with funds to renovate facilities that are occupied by charter schools. Grant-funded projects must 1) increase the total number of seats available at a high-quality charter school, or 2) increase the quality of existing seats at a high-quality charter school.

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
DC Bilingual Public Charter School  
33 Riggs Road, NE  
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of DC Bilingual Public Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered DC Bilingual Public Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DC Bilingual Public Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

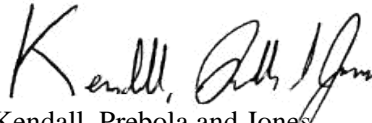
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether DC Bilingual Public Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 5, 2019

**Kendall, Prebola and Jones, LLC**  
**Certified Public Accountants**

Board of Trustees  
DC Bilingual Public Charter School  
33 Riggs Road, NE  
Washington, DC 20011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

***Report on Compliance for Each Major Federal Program***

We have audited the DC Bilingual Public Charter School's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of DC Bilingual Public Charter School's major federal programs for the year ended June 30, 2019. The DC Bilingual Public Charter School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the DC Bilingual Public Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the DC Bilingual Public Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the DC Bilingual Public Charter School's compliance.

***Opinion on Each Major Federal Award Program***

In our opinion, the DC Bilingual Public Charter School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

The DC Bilingual Public Charter School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The DC Bilingual Public Charter School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

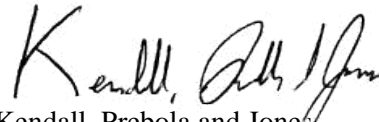
***Report on Internal Control Over Compliance***

Management of the DC Bilingual Public Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the DC Bilingual Public Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the DC Bilingual Public Charter School's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kendall, Prebola and Jones  
Certified Public Accountants

Bedford, Pennsylvania  
December 5, 2019

DC BILINGUAL PUBLIC CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019

There were no audit findings in the prior year.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Audit Results

- a. The auditor's report expresses an unmodified opinion on whether the financial statements of the DC Bilingual Public Charter School were prepared in accordance with generally accepted accounting principles.
- b. No significant deficiencies relating to the audit of the financial statements have been reported.
- c. No instances of noncompliance material to the financial statements of the DC Bilingual Public Charter School, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- d. No significant deficiencies relating to the audit of the major federal award programs have been reported.
- e. The Auditor's report on compliance for the major federal award programs for the DC Bilingual Public Charter School expresses an unmodified opinion.
- f. There is one audit finding that is required to be reported in accordance with the Uniform Guidance in the schedule of findings and questioned costs (Item 2019-001).
- g. The major program of the DC Bilingual Public Charter School is as follows:

<u>Program</u>	<u>CFDA #</u>
DC School Choice Incentive Program	84.370C

- h. The dollar threshold utilized to determine Type A programs was \$750,000.
- i. The DC Bilingual Public Charter School did not qualify as a low-risk auditee.

II. Findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*

None.



DC BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019

III. Findings relating to federal awards, which are required to be reported in accordance with the Uniform Guidance

2019-001 U.S. Department of Education – DC School Choice Incentive Program - CFDA# 84.370C

Criteria and Condition: Non-federal organizations are prohibited from contracting with or making subawards to parties that are debarred or whose principals are suspended or debarred from performing under a federal award. When a non-federal organization enters into a contract with a party for goods or services in an amount greater than \$25,000, or enters into a subrecipient agreement irrespective of the award amount, the organization must verify that the entity and its principals are not suspended or debarred or otherwise excluded from participating in a federal award. The DC Bilingual Public Charter School did not fully comply with the requirements as it relates to "Debarred and Suspended Parties."

Questioned Costs \$ 0

Context: During the year ended June 30, 2019, the DC Bilingual Public Charter School entered into a contract for services where federal funds were utilized for the payment of such services. The Charter School did not utilize recommended procedures to ensure that the subcontractor was eligible for contracting in the federal award program. An audit sample of one (1) subcontractor was selected to verify that the subcontractor certified that they were not debarred or suspended from working on a federal program. Evidence did not exist for the subcontractor indicating they were not debarred or suspended during the year ended.

Cause: During the year ended June 30, 2019, the DC Bilingual Public Charter School started a new project for construction renovations, and Management was unaware of this federal requirement.

Effect: Not obtaining the proper evidence to ensure that a party is not debarred or suspended from doing work on a federal award could ultimately result in the DC Bilingual Public Charter School awarding a subcontract to an ineligible party.

Recommendation: The Federal agency recommends that debarred and suspended verification be accomplished through one of three methods. These methods include (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration, (2) collecting a separately executed certification from the entity, or (3) adding a clause or condition to the actual subcontract agreement with the contracting party. We recommend the use of option number 2 or 3 above over option number 1 because it provides better assurance that not only is the organization permitted to participate in a federal award, but the principals are also permitted to work under a federal grant.

Views of Responsible Officials: The DC Bilingual Public Charter School will revise its procurement policies and procedures governing contracts that utilize federal funds to require a debarred party certification from each vendor.

DC BILINGUAL PUBLIC CHARTER SCHOOL  
SCHEDULE OF CONTRACTS AWARDED IN EXCESS OF \$25,000  
UNAUDITED  
FOR THE YEAR ENDED JUNE 30, 2019

<u>Vendor Name</u>	<u>Services Provided</u>	<u>Value</u>	<u>Conflict of Interest</u>
Behavioral and Educational Solutions P.C.	Special Education Services	42,209	no
Bellweather	Professional Development	71,008	no
Carefirst	Health Insurance	297,357	no
District Relocators	Moving Fees	51,008	no
EdFuel	Professional Development	44,880	no
Ed-Ops	Finance, HR, Procurement, Facilities Support Services	160,219	no
Elevate	Fundraising Support	48,000	no
J & C Behavioral Therapy, LLC	Special Education Services	63,384	no
J.S. Carroccio Landscaping, LLC	Landscaping Services	35,477	no
John Breyer	COO Services	164,935	no
Kaiser Permanente	Health Insurance	53,424	no
Konica Minolta Business Solutions	Copier Lease and Supplies	45,024	no
Luncheras Di Si, LLC	Food Service	90,435	no
Pact pro LLC	Security Services	38,969	no
Pepco	Electric Utility	96,138	no
Philadelphia Insurance Companies	Property, Builder's Risk, Umbrella Policies	36,210	no
PMM Companies	Cleaning Services	233,198	no
Sterling Speech Associates, LLC	Special Education Services	150,247	no
SYSCO Baltimore	Food for Food Service	106,802	no
Young & Well	Special Education Services	205,925	no
Ed-Ops	Human Resources	34,355	no
Ed-Ops	Finance	103,020	no
PMM	Facility Maintenance	160,672	no
Pro-Air	HVAC Services	32,000	no
Elevate	Grant Writing/Fundraising Support	50,000	no
Fortabyte Cyber Solutions	IT Services	32,340	no